

# **AUDITOR'S REPORT**

## **SHERIFF'S OFFICE INMATE TRUST FUND CONTROLS FIRST QUARTER FISCAL YEAR 2019**



**April 26, 2019**

**Michael Post, C.P.A., M.B.A.  
Harris County Auditor**

**Leslie Wilks Garcia, C.P.A., C.F.E.**  
*First Assistant County Auditor*

**Errika Perkins, C.P.A., C.I.A.**  
*Chief Assistant County Auditor*  
*Audit Division*



1001 Preston, Suite 800  
Houston, Texas 77002-1817  
(832) 927-4600

Fax (713) 755-8932  
Help Line (832) 927-4558

**MICHAEL POST, C.P.A., M.B.A.**  
**HARRIS COUNTY AUDITOR**

April 26, 2019

Sheriff Ed Gonzalez  
Harris County Sheriff's Office  
1200 Baker Street  
Houston, TX 77002

RE: Sheriff's Office Inmate Trust Fund Controls for the First Quarter of Fiscal Year 2019  
(March 1, 2018 to May 31, 2018)

The Audit Services Department performed procedures relative to the Sheriff's Office Inmate Trust Fund Controls for the first quarter of fiscal year 2019. The purpose of the engagement was to evaluate key controls related to inmate trust fund disbursements, including related system and security controls over the inmate banking application (CORE Banking), and bank reconciliations.

Our procedures included the following:

- Selectively tested CORE Banking's password management, logical access controls, and system logging to confirm compliance with the County's *Access Control Policy*.
- Selectively tested released or transferred inmates' account balances to determine whether funds were accurately and timely loaded to debit cards or printed on checks upon their release from jail or transfer to other penitentiaries, respectively.
- Selectively tested withdrawals of funds and determined if transactions were accurately recorded in CORE Banking.
- Selectively tested fund escheatments for compliance with the Texas unclaimed property statutes.
- Selectively examined bank reconciliations for the inmate trust bank accounts for compliance with the County's Accounting Procedure C.8, *Custodial (Agency) Bank Accounts*.

The engagement process included providing you with engagement and scope letters and conducting an entrance and exit conference with your personnel. The purpose of the letters and conferences were to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

Sheriff Ed Gonzalez  
Harris County Sheriff's Office

The work performed required our staff to exercise professional judgment in completing the scope procedures. As the procedures were not a detailed inspection of all transactions, there is a risk that fraud, errors, or omissions were not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

The enclosed Auditor's Report presents the issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations.

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Michael Post  
County Auditor

cc: District Judges  
County Judge Lina Hidalgo  
Commissioners:  
    R. Jack Cagle  
    Rodney Ellis  
    Adrian Garcia  
    Steve Radack  
Kim Ogg  
Vince Ryan  
William J. Jackson

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## OVERVIEW

The Harris County Sheriff's Office is the largest sheriff's office in Texas and the third largest in the United States with more than 4,600 employees who provide safety to nearly 4.4 million residents in Harris County. The Sheriff's Office is the primary law enforcement agency in Harris County for residents not living in incorporated areas.

The Inmate Trust Fund, commonly referred to as the Inmate Bank, is used for the creation and maintenance of an account for each inmate booked into a Harris County Jail.

Starting in March of 2016, the Sheriff's Office has used CORE Banking as their inmate banking information system to manage inmate funds collected, deposited, transacted on and disbursed during the inmate's arrest, entry into the jail system, and/or release. CORE Banking is a proprietary application created and maintained by Aramark, which is responsible for applying patches, providing technical and functional support to Sheriff's Office users, as well as upgrading the application. Aramark outsources the programming of CORE Banking to a third party vendor; however, the Sheriff's Office is ultimately responsible for all transactions processed through the application.

## RESULTS

Based on the procedures performed, the Sheriff's Office materially complied with physical security controls related to the protection of blank check stock, access to the printer utilized to issue checks, and unissued debit cards inventory. However, we identified opportunities for improvement in the following areas:

### **Withdrawal of Funds from Inmates' Accounts**

- 3 of 20 (15%) *Money Release Cards* tested could not be provided to us to show the corresponding inmates' approvals for disbursement. One of these documents was part of an ongoing investigation and was subsequently provided to us. All inmates' funds disbursements must have a corresponding *Money Release Card* with the corresponding approvals.

### **CORE Banking System Administrators**

- There are 12 System Administrators of the CORE Banking system, which seems excessive given the size of the system. Sheriff's Office Management should limit the number of CORE Banking System Administrators, approve their access, and track their activities through automated transaction/activity logs.

### **Access to CORE Banking by Aramark Employees**

- 2 of 6 (33%) sampled Aramark new users were granted access to the CORE Banking system without the corresponding management approval. Granting users access to the system should always be approved in documented form.
- 5 of 5 (100%) sampled Aramark terminated users were not timely deactivated from the CORE Banking system. All terminated users must be removed from the system in a timely manner.

These and other matters are discussed in more detail in the following Issues and Recommendations section of this report.

## ISSUES AND RECOMMENDATIONS

### Withdrawal of Funds from Inmates' Accounts

#### Background

Deposits on inmates' accounts can be made by family members, friends and other sources, and funds can be withdrawn from the accounts by the inmates and provided to their immediate family (spouse, parents, siblings, and children), and bondsman or attorneys. Per Sheriff's Office policy, inmates must sign and thumbprint a *Money Release Card* before any money can be withdrawn. The amount of withdrawal, the payee's name, thumbprints and payee's relationship to the inmate are also documented on the *Money Release Card*.

#### Issue

The Sheriff's Office does not have sufficient controls in place to ensure all withdrawals and disbursements from inmate accounts are properly authorized by the corresponding inmate. The Sheriff's Office was not able to provide the *Money Release Card* or other supporting documentation requested for 3 of 20 (15%) sampled inmate withdrawals and disbursements.

We were informed by management that 1 of the disbursements selected for testing was associated with an ongoing investigation. The results of the investigation identified some internal control weaknesses that allowed an unauthorized withdrawal from 1 inmate's account. Management informed us that they have implemented 2 new internal control procedures related to *Money Release Cards* that will help mitigate this risk going forward.

#### Recommendation

As Sheriff's Office Management has informed us they already implemented 2 new internal control procedures to mitigate the risk of unauthorized withdrawals or disbursements from inmate accounts, they should monitor these new controls to ensure they are operating as intended.

Sheriff's Office Management should also provide training to reinforce the importance of consistently maintaining all supporting documentation relative to the withdrawal or disbursement of inmate funds from their respective accounts.

Finally, Sheriff's Office Management should consider adding the printed name, employee ID and signatures of the Detention Officers on the *Money Release Card* for audit trail purposes.

#### Management Response

HCSO recognizes the need for enhanced controls relating to authorized withdrawals and are currently revamping our Money Release Card process. Our new forms are in development but will include additional information to improve accuracy and validity such as, picture identification, receiver thumb prints, detention officer EIN, printed names, detention officer signatures and other enhancements to include a means to ensure a chain of custody for the release form. Once the new forms have been approved all appropriate personnel will be trained to ensure compliance with and monitoring of the new process.

## ISSUES AND RECOMMENDATIONS

### CORE Banking System Administrators

#### Background

System Administrator roles grant privileged system access to sensitive computer-based processes that support business applications. It is an industry best practice to have a limited number of System Administrators (and corresponding backup personnel) and access must be granted only on a need to know operational basis to support the System Administrator's job function. It is also industry best practice to maintain a log of activities performed by users with privileged access and the log to be reviewed on a periodic basis.

#### Issue

There is no control in place to limit the number of users with the System Administrator privileged access role in the CORE Banking application. Currently there are 12 System Administrators, including 7 employees from Aramark, and 5 programmers from their third party vendor.

Aramark IT Management informed us that this number of System Administrators is needed as they could all be on call at any given time. Additionally, there is no authorization control in place to grant System Administrator rights and privileges as two new System Administrators (belonging to Aramark) were added in the past year without the corresponding documented request and approval. Furthermore, the IT Manager of Aramark informed Audit Services that the activities of users with privileged access are not currently tracked in CORE Banking.

Not restricting the number of individuals with privileged access to the system and adding System Administrators without the corresponding documented management authorization may expose the Sheriff's Office and the County to potential security vulnerabilities and breaches, and/or malicious activities resulting from unauthorized programming changes, which may ultimately result in a financial loss to the County.

Not tracking the System Administrators' activities on the system impairs the Sheriff's Office's ability to detect unauthorized activities or transactions, which may result in a financial loss to the County.

#### Recommendation

Sheriff's Office Management should review the current list of CORE Banking System Administrators with Aramark and determine which of these have a legitimate business reason. If there is no justifiable business need, the privileged access should be restricted to the appropriate System Administrators, and this must be documented with the corresponding management approval.

Sheriff's Office Management should also request Aramark to enable logging of System Administrators' activities, and should review the log for unauthorized activities or transactions on a periodic basis.

## ISSUES AND RECOMMENDATIONS

### **CORE Banking System Administrators (cont.)**

Furthermore, Sheriff's Office Management should ensure that any new System Administrators have a documented request and approval by Sheriff's Office Management prior to being granted system access rights and privileges.

### **Management Response**

HCSO conducts quarterly User Access Reviews which includes a review of Aramark Administrators within the Core application. During the last review we confirmed the need with Aramark for their current number of programmers and level 2 support. Aramark provides 24/7 support and believes removal could impact support resolution in a timely manner.

Further discussion with Internal Audit revealed an optimal number of Administrators doesn't exist and the reduction was only recommended if "doable and feasible, without interrupting the operations". We believe after speaking with Aramark that our current number of Administrators is necessary and we will continue to monitor quarterly.

All new System Administrators and Users should have a documented request and approval by appropriate Sheriff's Office personnel, to strengthen this control the "Add User" function was removed from everyone except the HCSO Financial Administrator and HCSO backup Administrator.

We agree with the need for detailed audit reports to review user activity and will work with Aramark to see if it's possible to develop. Core Banking is a 3<sup>rd</sup> party application that was not developed for HCSO so programming updates may not be available.

## ISSUES AND RECOMMENDATIONS

### Access to CORE Banking by Aramark Employees

#### Background

Per section 2F of the master agreement between Aramark and the Sheriff's Office: "Contractor (Aramark) shall provide on-site management and supervisory personnel, and from Contractor's headquarters' location, expert administrative and purchasing advice related to the commissary operation."

Per Aramark's IT Manager, Aramark personnel are made aware not to grant access to CORE Banking directly, but rather users should request this directly from the Sheriff's Office's CORE Banking System Administrator in a documented form.

The County's *Access Control Policy*, section C.1.2, *Access Requests*, states: "The process for requesting, provisioning and approving access to each system and application on the Harris County network must be documented." Section C.1.6, *Manager Responsibility*, of this policy states: "Managers are responsible for verifying, acknowledging and/or approving all access requests from their subordinates. This helps to ensure that only those individuals whose jobs require access to systems and/or applications are allowed to access."

Further, section C.1.9, *User Termination*, of the policy states: "All user access privileges to Harris County systems and applications must be disabled immediately or, in any event, no later than 24 hours after an employee or non-employee termination."

#### Issue

There is no control in place for granting user access to CORE Banking. As a result, the following exceptions were found:

- 2 of 6 (33%) sampled Aramark users hired during the audit period were granted access to CORE Banking without the corresponding documented approval.
- 5 of 5 (100%) sampled Aramark users terminated during the audit period were not timely deactivated from CORE Banking.

The lack of documented approval to grant access to CORE Banking for new Aramark users may cause inappropriate access to be granted, which could lead to inappropriate segregation of duties and financial loss to the County.

Untimely deactivation of access to CORE Banking may potentially result in personnel obtaining the terminated user's credentials and accessing the system in an unauthorized manner, resulting in a financial loss to the County.

## ISSUES AND RECOMMENDATIONS

### **Access to CORE Banking by Aramark Employees (cont.)**

#### **Recommendation**

Sheriff's Office Management should ensure that access to CORE Banking for Aramark employees is always requested from the Sheriff's Office CORE Banking System Administrator in a documented form, as required by the County's "Access Control Policy."

Sheriff's Office Management should remove all terminated users from CORE Banking and going forward should ensure the removal of all users immediately after termination.

Furthermore, Sheriff's Office Management should frequently (i.e., monthly) request Aramark to provide a list of all their employees with access to CORE Banking and ensure that every terminated Aramark employee is timely terminated from the system as required by the County's "Access Control Policy."

#### **Management Response**

All new System Administrators and Users should have a documented request and approval by appropriate Sheriff's Office personnel, to strengthen this control the "Add User" function was removed from everyone except the HCSO Financial Administrator and HCSO backup Administrator.

We agree that all terminated users should be immediately removed from the system upon departure. A reminder notification will be sent to HCSO and Aramark management to ensure communication is sent to HCSO Administrators in the event there is a separation event.

HCSO currently conducts quarterly User Access Reviews which captures terminated users, however we will implement a monthly User Control Listing to strengthen controls over system access and improve timeliness of deactivations.

# ISSUES AND RECOMMENDATIONS

## Password Configuration in CORE Banking

### Background

Per information technology best practices, strong passwords are required for authenticating users into computer systems. Appendix A of the County's *Access Control Policy* prescribes the minimum password requirements on all internal systems throughout the County regarding expiration, length, uniqueness/history, complexity rules, account lockouts, and account inactivity and reactivation. Section E.1.8, *Privileged Account Password Length*, requires privileged accounts (i.e., system administrator accounts) to be longer in length than standard user account passwords, and no less than 12 characters.

### Issue

Password configuration for CORE Banking does not comply with the password management requirements as set forth by the County's *Access Control Policy*. This includes age, length, complexity, and privileged account password length. This is due to a system limitation where an upgrade to the system is needed to be able to comply with the County's policy.

Failure to meet minimum password requirements could result in weak passwords that are easy to guess and that could enable anyone with technical knowledge to gain inappropriate or unauthorized access to CORE Banking and perform unauthorized activities. This situation could jeopardize the County's computer and information assets, as well as potentially cause a financial loss to the County.

### Recommendation

Sheriff's Office Management should discuss future CORE Banking upgrades with Aramark to allow for the minimum password requirements to be configured in the system so the system can be in compliance with the County's *Access Control Policy*.

### Management Response

We will work with Aramark to see if it's feasible to update the application's minimum password requirements so we can comply with the County's *Access Control Policy*. Core Banking is a 3<sup>rd</sup> party application that was not developed for HCSO so programming updates may not be available.

## ISSUES AND RECOMMENDATIONS

### **CORE Banking User Activity**

#### **Background**

Per the Control Objectives for Information and Related Technology (CobIT) framework best practices, audit logs of transactions processed through an application system should be maintained and frequently reviewed for suspicious activities. The audit logs should also include date and time stamps when transactions are entered and processed, as well as the user's identification. These logs should be reviewed by management for accuracy and authorization of transactions made on a periodic basis.

A *User Activity Report* is generated from CORE Banking, and currently reviewed by Sheriff's Office Management. It includes the user identification, login/logout date and time, and the associated workstations.

#### **Issue**

The information provided on the *User Activity Report* does not include the transactions entered and processed by users along with date and time stamps. Per Sheriff's Office Inmate Trust Fund Management, this report serves the purpose of time keeping/payroll and review of access to CORE Banking by unauthorized staff, and it is reviewed on a quarterly basis.

The lack of information on transactions processed in CORE Banking in the *User Activity Report* may result in untimely or no detection of unauthorized activities performed by users, which could result in a financial loss to the County.

#### **Recommendation**

Sheriff's Office Management should request Aramark to design and implement a complete log of transactions performed in CORE Banking. This should include all relevant aspects of these transactions (i.e., user, workstation, date/time stamp, inmate number, transaction type, transaction number, amounts, etc.) on the *User Activity Report* for a better and more efficient monitoring control of unauthorized/suspicious activities.

The report should be reviewed by Sheriff's Office Management on a frequent basis (e.g., monthly) and actions taken should be properly documented.

#### **Management Response**

We agree with the need for detailed audit reports to review user activity and will work with Aramark to see if it's possible to develop. Core Banking is a 3<sup>rd</sup> party application that was not developed for HCSO so programming updates may not be available.

## ISSUES AND RECOMMENDATIONS

### Bank Reconciliations

#### Background

Pursuant to the County's Accounting Procedure C.8, *Custodial (Agency) Bank Accounts*, the Harris County Auditor's Office Revenue Accounting Department (Revenue Accounting) will contact the County Department via email and phone call to work/clear any reconciling items (excluding outstanding checks) that have not been cleared within 30 days from the Auditor's Office's reconciliation date (end of the month following the bank statement month).

This section further states that Revenue Accounting should forward a County Auditor signed letter to the County Department stating the procedure requirements for any reconciling item (excluding outstanding checks) that has not been cleared within 60 days from the Auditor's Offices' reconciliation date.

#### Issue

Bank reconciling items are not being cleared in accordance with policy. County Auditor Form 324C was completed incorrectly causing reconciling items to occur.

Not clearing the reconciling items in a timely manner may result in misstatement of account balances in the County's financial records.

#### Recommendation

Sheriff's Office Management should clear all reconciling items, except outstanding checks, on a timely basis as required by the County's Accounting Procedure C.8, *Custodial (Agency) Bank Accounts*. Non-reconciled items should be researched and resolved on a timely basis.

#### Management Response

HCSO will work with Revenue Accounting when reconciling items appear, when requested, to ensure they are cleared on a timely basis. We received guidance from Revenue Accounting on how to fill out form 324C in regards to the inclusion of voided checks which should reduce the number of reconciling items.

## ISSUES AND RECOMMENDATIONS

### Disbursements to Third Party Recipients

#### Background

Inmates housed in the Sheriff's Office's jail facilities can withdraw funds from their CORE Banking accounts to be disbursed to third party recipients, mostly their immediate family (spouse, parents, siblings, and children), through the facilities' Visitor Control Center.

Inmates must sign and thumbprint a *Money Release Card* at the jail facilities, and the third party recipients take this document to the Inmate Trust Office at the Inmate Processing Center where checks are issued to the payees with the amounts approved and indicated therein. The recipients (i.e., the payees) must also sign and thumbprint the *Money Release Card* before the checks are handed to them. The *Money Release Card* is made of index card stock.

#### Issue

The *Money Release Card* can be altered while in the possession of the third party recipients.

Furthermore, the Visitor Control Center does not alert the Inmate Processing Center that someone is going to collect a check, which increases the risk of these documents to be altered.

Not having adequate controls on the withdrawal process from the inmates' accounts may result in unauthorized disbursement of funds, a financial loss to the inmate, and/or to the County.

#### Recommendation

Sheriff's Office Management should consider enhancing the communication between the Visitor Control Center and the Inmate Trust Office at the Inmate Processing Center. At a minimum, the Visitor Control Center should consider sending a PDF-protected image of the *Money Release Card* to the Inmate Processing Center to notify the Inmate Trust Office, in a timely manner, of pending disbursements from the inmates' accounts. This could reduce the chances of modifying the date and/or amount on this document. Alternatively, moving the Inmate Processing Center closer (or next) to the Visitor Control Center could also reduce the risk of the cards being altered.

#### Management Response

HCSO's new process will improve communications between the Visitor Control Center and the Inmate Trust Fund. Personnel at VCC will confirm the available balance via phone with the Inmate Trust Fund and fill out the updated Money Release Card form. The original document will be scanned and emailed to the Inmate Trust Fund at the Joint Processing Center. The original document will be placed in a sealed envelope and given to the individual receiving the money. The sealed envelope will need to be presented to personnel at the property window at the JPC. The emailed document and original document in the secured envelope will be compared against each other for accuracy. After validation, all receiving signatures and prints will be applied to the original document and money will be released.